



USAID
FROM THE AMERICAN PEOPLE

USAID Agribusiness Project
57 Internacionalnih Brigada
www.dai.com
11000 Belgrade
Serbia



WILD MUSHROOMS VALUE CHAIN

Commodity Action Plan

June 27, 2008

Introduction

Serbia has a centuries-old tradition in the collection and export of gourmet mushrooms growing wild in the forest. It provides seasonal employment to up 100,000 persons, mostly in poor rural areas where employment opportunities are lacking. The principal species collected and exported include porcini, chanterelles, morels and black trumpet mushrooms. In 2007, Serbia exported a little over USD 10 million worth of fresh (chilled) forest mushrooms to the EU 25. In second place was the export of dried forest mushrooms, at about USD 8.5 million, followed by preserved forest mushrooms at USD 3.6 million. With a strong growth market, this can be a potential target of opportunity for Serbia.

Dynamics/driving forces

Gourmet mushrooms enjoy a growing demand in world markets, and supply is at best stagnant, since cultivation is difficult. However, total collections governed by quotas that change relatively little over time; the volume of total exports is likely to fluctuate within narrow boundaries, although the allocation of these exports among markets abroad may shift. Given that Serbia is primarily supplying the wholesale markets, these trends may result in higher export revenue for this Serbian value chain if it can reach the end consumers. There are both internal and external forces that are driving the sector.

Internal

The ***Regulatory framework*** is a major driving force behind the value chain. The collection and export of mushrooms is a highly regulated activity. The government establishes a **quota** for the value chain, limiting the total quantity of exports. This quota is allocated among corporate applicants on the basis of their capacity and experience. Mushroom exporters interested in processing (packaging) wild mushrooms collected in neighboring countries to take advantage of Serbia's established markets, encounter other constraints. The customs authorities treat these mushroom imports as **temporary imports**, but the health authorities insist on regarding them as imports into the country; this creates problems due to strict standard for imported forest mushrooms (radioactivity).

Exporters' willingness to take advantage of export opportunities - Mushroom exporters understand opportunities for adding value—such as branding, retail packaging for niche items, introduction of end-user specialty products. But they perceive considerable risk in **competing in target markets with their own buyers**. They are afraid that if their current buyers of products in bulk find a way around, they will cut them off from the value chain. Market surveys and market entry strategy development at the level of the value chain or for individual companies could help overcome these barriers.

Small size of the industry - There are 41 companies in Serbia exporting mushroom, but leading 10 companies account over 80% of exported quantities.

External

Market trends - Wild mushrooms enjoy a growing demand in world markets. These trends may result in higher export revenue for this Serbian value chain. While imports of **fresh** mushrooms into the EU 25 between have been fairly stable since 2004 at about \$120 million, the total import market of **preserved** mushrooms has grown to over USD 160 million.

Italian traders dominate the market. While Italy is the biggest importer of fresh and semi processed mushrooms, most of Serbia's exports now going through bulk importers, who then reprocess and often re-export them.

Increasing role of standards - Most of exporters already have HACCP certificate. New standards for Serbian companies like Organic, Fair Wild, Fair Trade, Kosher, Halal, appear to be requirement for Serbian companies in order to increase their competitiveness in most of the end user markets.

Implications for Serbia

If Serbia can address its problems with quota regulations, the issues around temporary import of mushrooms for re-export, and bypass the Italian importers to reach higher end value added markets, it can add significant value to its mushroom exports.

Strategy

An active strategy to add value through increased processing is needed. The evidence suggests that Serbia is competing at least in part on the quality of its products, as reflected in the CIF price of imports to the EU 25 which are higher than for corresponding prices for Romania, Russia and Belarus

To increase value added therefore will require two elements—a readiness to compete with its current customers (importers) in the end markets, and pursuit of new markets that either pay a higher premium, or that allow for the addition of value-added products without any friction with current partners.

Since the quota system limits real quantitative growth, growth for the value chain therefore must come from higher value exports, implying a **gradual shift in volume from bulk to retail** (at the gourmet and convenience markets, and entry into other markets where prices are particularly attractive through set of activities), and toward adding value to the products. The strategy will require

a careful design to in effect compete with current partners and customers in the target countries. Market surveys and market entry strategy development at the level of the value chain (Mushroom Association) or for individual companies could help overcome these barriers.

The Serbia Agribusiness Project will provide assistance to, at least, five leading companies willing to exploiting market opportunities in end user mushrooms and add at least extra \$5 million to annual exports by year five. The main point of leverage will be the newly created Mushroom Association within Fruits of Serbia to interact with industry members.

Activities

There are four major elements to the implementation of this strategy:

- Selection of participating companies
- Build export market linkages to retail buyers
- Increasing value added products
- Association development

1. Selection of participating companies – Companies are the focal points of intervention and implementing the strategy objectives, especially these who are looking for solutions to improve their business, diversify and add value to their products. The criteria for selection of companies as a project partners are:

- Progressive, forward thinking ownership
- HACCP certified
- Interested in investing in new products and packaging
- Access to raw material (quota)
- Leading exporters in volume (at least 50 tons/year)

Once selected, the Project will consider signing MOU with companies to formalize relationships and joint efforts.

2. Build export market linkages to retail buyers – To pursue new markets that either pay a higher premium, or that allow for the addition of value-added products without any friction with current partners the Project will support following activities.

- Participate in international fairs (Fancy Food NY, Biofac, Dubai, etc.) part of trade show activity
- Support links to inward trade missions from supermarkets or other buyers (i.e. SPAR, AZDA)
- Create links through SerbianFruit.com

Increasing value added products – to achieve main goal “gradually shift the volume from bulk to retail”, the Project will:

- Improve design, packaging, labeling and marketing
- Provide access to information and suppliers on new technology

- Sponsor inward trade missions from equipment suppliers
- Link export companies to other certification activities on Organic, Fair Wild, and Fair Trade

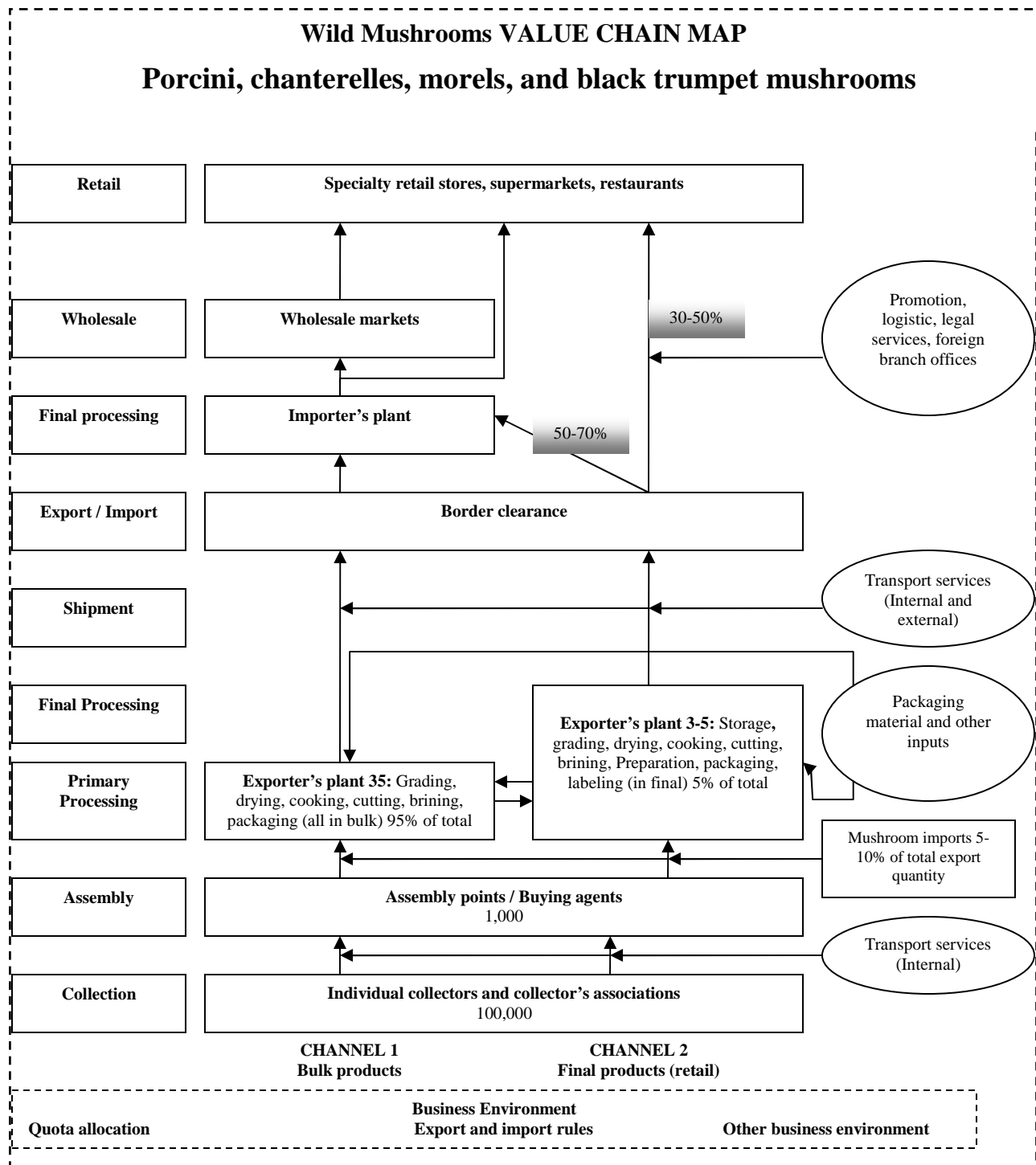
Association development- While companies will be the focal points of intervention, the newly formed Mushroom Association within Fruits of Serbia will be leverage point for various activities planned with subsector stakeholders such as:

- Created association to address services, enabling environment, & coordination of harvesting
- Service development:
 - Participation in trade shows
 - Media campaign in international press promoting quality of Serbian mushrooms
 - Provide information services to members:
 - lists of buyers and contact lists
 - Link to inquiries
- Enabling environment
 - Export procedures, temporary import procedures

The goal is to make this Association sustainable, active and strong enough to cooperate with Agribusiness Project and, eventually, take over responsibilities and carry on activities once Agribusiness Project ends.

The Map

Serbia's forest mushroom value chain comprises all economic activities related to **collecting, assembling, processing, packaging, and especially exporting** mushrooms growing in the wild in Serbia's forests. The value chain may also include processing of wild mushrooms collected in other countries, and exporting them to the end markets. Finally, the value chain also involves related economic activities, in particular the production of packaging material and the provision of transport services.



COMMODITY PLAN CHART

ACTIVITIES	STAKEHOLDERS	TIME TABLE
Selection of participating companies		
Developing Criteria	Sub-sector lead	Year 1
Assessments of companies	Sub-sector lead, Project Beneficiaries	Year 1
Selection	Sub-sector lead, Senior Project staff	Year 1,2
MOU signed with companies (TBD if it is necessary)	Sub-sector lead, Senior Project staff, Project Beneficiaries	Year 1,2
Build export market linkages to retail buyers		
Participate in international fairs (Fancy Food NY, Biofac, Dubai, etc.) part of trade show activity	Sub-sector lead, STTA, ABDS Providers, Marketing team, Project Beneficiaries	Year 1-5
Support links to inward trade missions from supermarkets or other buyers (i.e. SPAR, AZDA)	Sub-sector lead, Marketing team, Project Beneficiaries	Year 1-5
Create links through SerbianFruit.com	Sub-sector lead, STTA, ABDS Providers, Marketing Team, Project Beneficiaries	Year 1-5
Increasing value added products		
Improve design, packaging, labeling and marketing	Sub-sector lead, STTA, ABDS Providers, Marketing Team, Project Beneficiaries	Year 1-3
Provide access to information and suppliers on new technology	Sub-sector lead, ABDS Providers	Year 1-5
Sponsor inward trade missions from equipment suppliers	Sub-sector lead, STTA, ABDS Providers	Year 2-5
Link export companies to other certification activities on Organic, Fair Wild, and Fair Trade	Sub-sector lead, STTA, ABDS Providers, Project Beneficiaries	Year 2-5
Association development as a leverage point for:		
Created association to address services, enabling environment, & coordination of harvesting	Sub-sector lead, POs team, Project Beneficiaries	Year 1-5
Service development (Participation in trade shows – organization, Media campaign in international press promoting quality of Serbian mushrooms, Provide information services to members (lists of buyers and contact lists-Link to inquiries))	Sub-sector lead, POs team, Project Beneficiaries	Year 1-5
Enabling environment (Export procedures, temporary import procedures)	Ag policy & information team, POs team	Year 1-3